



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

June 15, 2007

**H.R. 2359
SBA Entrepreneurial Development Programs Act of 2007**

As ordered reported by the House Committee on Small Business on May 23, 2007

SUMMARY

H.R. 2359 would authorize the Small Business Administration (SBA) to award grants to Small Business Development Centers (SBDCs) to expand the scope of assistance and services provided to owners of small businesses. Further, the bill would require SBA to increase the proportion of participants in the Service Corps of Retired Executives (SCORE) who are from socially or economically disadvantaged backgrounds. Finally, the bill would amend provisions of current law that affect the operation of SBDCs. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 2359 would cost \$8 million in 2008 and \$321 million over the 2008-2012 period. Enacting the bill would not affect direct spending or revenues.

H.R. 2359 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2359 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Additional Grants					
Estimated Authorization Level	101	105	106	110	112
Estimated Outlays	5	36	78	91	103
Additional Administrative Costs					
Estimated Authorization Level	4	1	1	1	1
Estimated Outlays	3	2	1	1	1
Total Changes					
Estimated Authorization Level	105	106	107	111	113
Estimated Outlays	8	38	79	92	104

BASIS OF ESTIMATE

H.R. 2359 would authorize SBA to award a number of grants to SBDCs to expand the range of services provided to owners of small businesses. CBO estimates that implementing the new grant provisions in H.R. 2359 would cost about \$5 million in 2008 and \$313 million over the 2008-2012 period, assuming appropriation of the necessary amounts. There are 63 SBDCs that would be eligible to apply for the new grants; CBO assumes that approximately 90 percent would be awarded grants as allowed under the bill. Accordingly, the costs over the 2008-2012 period break down as follows:

- \$53 million for grants up to \$300,000 each to develop programs to educate and assist small business owners or potential owners in obtaining private capital;
- \$9 million for grants that would allow SBDCs to provide support in the event of a disaster;
- \$89 million for grants up to \$500,000 each to target assistance and services to increase the competitiveness of small manufacturers;
- \$62 million for grants up to \$350,000 each to carry out a program to encourage older individuals to consider becoming business owners and provide assistance should they choose to do so;

- \$52 million for grants up to \$300,000 each to promote investment in energy-efficient equipment and technology;
- \$36 million for grants to assist small business owners to identify and purchase affordable health insurance for their employees; and
- \$12 million for grants to assist small business owners in complying with federal regulations.

In addition, the bill would require SBA to create a repository for information describing regulatory compliance activities undertaken by SBDCs that receive regulatory compliance grants. SBA also would be required to establish a Web site that provides access to compliance information that pertains to specific industries. Based on information from SBA, CBO estimates that developing and maintaining such a Web site would cost about \$3 million over the 2008-2012 period.

Based on information from SBA, we assume that the agency would require an additional 12 full-time equivalent positions to award the grants and track performance, at a cost of about \$1 million per year over the 2008-2012 period.

Other provisions of the bill would amend the nature of the relationship between SBA and SBDCs and any association that may represent them. For example, the bill would limit SBA's involvement in hiring SBDC staff and require mutual agreement between SBA and SBDCs on programs that would be offered. The bill also would change the makeup of mentors participating in the SCORE program by increasing the number of participants from socially and economically disadvantaged backgrounds. CBO estimates that implementing those provisions would not have a significant effect on spending subject to appropriation.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2359 contains no intergovernmental or private-sector mandates as defined in UMRA. By authorizing grants to SBDCs, the bill would benefit state, local, and tribal governments. Any costs those entities incur would result from complying with conditions of federal assistance.

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